



# Department of Justice

FOR IMMEDIATE RELEASE  
MONDAY, SEPTEMBER 5, 2000  
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**FORMER PRESIDENT OF DOMEQ IMPORTERS INC. INDICTED ON MONEY  
LAUNDERING, TAX EVASION, MAIL FRAUD, AND CONSPIRACY CHARGES**

WASHINGTON, D.C. -- A Manhattan federal grand jury today indicted Michael Domecq, the former president and co-owner of Domecq Importers Inc., for participating in a scheme to divert more than \$14 million from the company into personal offshore bank accounts, the Department of Justice announced.

The eight-count Indictment, filed today in U.S. District Court in Manhattan, charges Michael Domecq with two counts of conspiracy, two counts of money laundering, one count of money laundering conspiracy, one count of mail fraud, and two counts of income tax evasion.

Previously, three former top executives of Domecq Importers--chief operating officer Alfredo Valdes, vice president of marketing Gabriel Sagaz, and vice president of sales Thomas Kaminsky--pleaded guilty to charges related to the same conspiracy. In addition, two outside vendors of advertising and display materials, Mary Burke and Alvin Appel, have also pleaded guilty to related offenses.

Today's case developed as a result of evidence uncovered during the Antitrust Division's prosecutions of bid-rigging, commercial bribery, and tax-related offenses in the point-of-purchase advertising and display industry. To date, 28 individuals and nine corporations have already pleaded guilty to various federal charges associated with the Division's ongoing investigation. Earlier prosecutions have involved personnel at Hiram Walker & Sons Inc. (Southfield, Mich.),

Philip Morris Inc. (N.Y.), Heublein Inc. (Farmington, Conn.), Warner-Lambert Co. (Morris Plains, N.J.), Austin Nichols & Co. Inc. (N.Y.), Lorillard Tobacco Co. Inc. (Greensboro, N.C.), Heineken USA Inc. (White Plains, N.Y.), William Grant & Sons Inc. (Edison, N.J.) and Joseph E. Seagram & Sons Inc. (N.Y.).

"This case demonstrates the Antitrust Division's commitment to bring the full power of the criminal law against those who engage in anticompetitive and other illegal behavior," said Joel I. Klein, Assistant Attorney General in charge of the Department's Antitrust Division.

According to the charges, Michael Domecq and his co-conspirators diverted approximately \$14.6 million out of Domecq Importers, with the assistance of outside vendors of advertising and display materials and services who did business with the company. These outside vendors invoiced Domecq Importers for goods never produced or services never performed. Michael Domecq and his co-conspirators approved the phony invoices for payment and had Domecq Importers pay them. The outside vendors, after receiving payment, issued checks to shell corporations controlled by Michael Domecq and his co-conspirators. These checks were usually deposited in the conspirators' offshore bank accounts in Aruba and the Bahamas. None of the conspirators paid income taxes on this money.

Domecq Importers Inc. was an American subsidiary of Allied Domecq P.L.C., the world's second-largest liquor company. In September 1998 Domecq Importers Inc. was combined with Hiram Walker & Sons Inc. to create Allied Domecq Spirits USA, of Westport, Connecticut. That company is a subsidiary of Allied Domecq P.L.C. of London, England, a \$7 billion company with more than 70,000 employees worldwide. Allied Domecq Spirits USA, imports and distributes numerous brands of liquor, including Sauza tequila (the world's fastest growing spirits brand),

Kahlua liqueur (America's leading imported liqueur), Presidente brandy, Courvoisier cognac, and Beefeater gin. The Domecq family has been prominent in the liquor business worldwide since at least 1816, when Pedro Domecq, a forebear of Michael Domecq, acquired a sherry and brandy company in Spain and gave it his name. Michael Domecq was a resident of Greenwich, Connecticut, when the investigation began. He currently resides in Spain and claims Spanish citizenship.

The maximum penalty for an individual convicted of money laundering is a term of imprisonment up to 20 years, three years of supervised release, and a fine of the greater of \$500,000 or twice the value of the property involved in the transactions.

The maximum penalty for an individual convicted of conspiracy, mail fraud, or income tax evasion is, for each count of conviction, a term of imprisonment up to five years, three years of supervised release, and a fine of the greatest of \$250,000, twice the gross pecuniary gain derived from the offense, or twice the gross pecuniary loss caused to the victims of the crime.

The prosecution of Michael Domecq is the result of a joint investigation between the Antitrust Division's New York Field Office and the United States Attorney's Office for the Southern District of New York, with the assistance of the Federal Bureau of Investigation and the Internal Revenue Service. The investigation is continuing.

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